Life expectancy and retirement

Important information for your retirement-income planning

Consider this

Although life expectancy for Americans born in 1938 was around 64 years, those of us who are currently age 65 are projected to live another 18 years, on average. And, if you reach age 83, your life expectancy will extend to age 90.

Although most Americans now expect to live longer than previous generations, that understanding has made little impact on their retirement planning. With average life expectancy advancing into the late 70s and significant numbers of Americans expected to live into their 90s, very few people have saved enough money to live their pre-retirement lifestyle for 30 or even 40 years.*

Retirees want their retirement income to last as long as their retirement does. And they want this to happen without having to cut back on their pre-retirement lifestyle. To do this, retirees need to avoid several misconceptions about how long they’ll really live in retirement.

The dangers of planning based on life expectancy

First of all, life expectancy is only an average. That means about half of all the members of a certain age group will live past their life expectancy. So if your retirement plan pivots on you using up all of your income by the time you reach your life expectancy, you run a 50-50 chance of ending up broke at an advanced age.

Secondly, life expectancy is not a constant, but rather a moving target. If you’ve reached 65, your life expectancy has already increased. After all, you’ve survived many members of your age group who died before you. Your new life expectancy based on your current age is called your longevity, and longevity is a more accurate assumption on which to base your retirement-income planning.

Also keep in mind that, although a 60-year-old man today has a 20% probability of reaching age 95 and a 60-year-old woman a 30% chance, there is a 40% chance that at least one member of a married couple at the same age will live until age 95.† Couples need to consider this increased probability when planning for retirement.

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* “Average Number of Years of Life Remaining by Sex and Age: 1989-2005,” U.S. National Center for Health Statistics, National Vital Statistics Reports (NVSR)
† Annuity tables, Society of Actuaries
You can count on us

Understanding how to incorporate life expectancy into your retirement planning is essential to putting together a retirement-income plan that truly meets your needs. Few people approaching this time in their lives have all the answers. That’s why sitting down with your Financial Advisor can help you make more informed and realistic decisions about what lies ahead.

Risk versus comfort

Making retirement-income projections should involve balancing the risk of drawing down your income too quickly and being left with little to live on in your 80s or 90s with that of spending your income too slowly and needlessly crimping your retirement standard of living.

You need to understand your own odds to navigate between these two “rocks.”

Look ahead with confidence

It’s natural not to want to consider your own mortality. Many workers planning for retirement, and even those on the cusp of retiring, see life after work as a golden time stretching into a hazy horizon. It can indeed be a wonderful second act, but that will depend on your taking an honest look at how far away that horizon really is.

You won’t live forever. But you may live longer than you expect. Used correctly, life expectancy and longevity can be helpful in providing a clearer picture of what you have to do to make your retirement years both comfortable and more secure, no matter how long they last.